

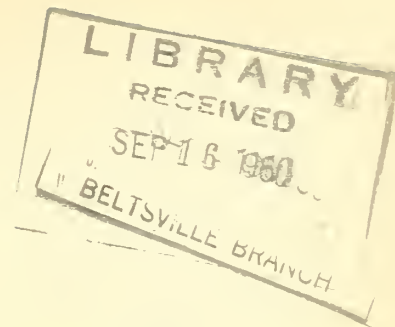
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FOREIGN AGRICULTURE



September 1960



Japan's Mt. Fujiyama

Japanese Issue

Plus Articles on Hong Kong,

Rhodesia and Nyasaland, and Germany

UNITED STATES DEPARTMENT OF AGRICULTURE · FOREIGN AGRICULTURAL SERVICE

FOREIGN AGRICULTURE

Vol. XXIV · No. 9

September 1960

A Century of Trade with Japan

This year marks the 100th anniversary of diplomatic and commercial relations between Japan and the United States. In May 1860, the first emissaries from Japan arrived in Washington, D.C., to exchange ratifications of the Treaty of Amity and Commerce which had been negotiated between the Shogunate Government of Japan and U.S. Consul General Townsend Harris in Tokyo.

With this first mission to the West, Japan began to emerge from a 200-year-old feudal isolation to become Asia's major industrial nation and a principal trading partner of the United States. In recognition of the Centennial, *Foreign Agriculture* presents in this issue four articles on the food, agriculture, and trade of Japan.

In the past few years, trade between the United States and Japan has totaled somewhere in the neighborhood of a billion dollars each way. For the United States, agricultural items have made up an important part of this trade. In most years, they have been nearly half of it—about \$400 million—making Japan the first or second largest market for American agriculture. As we move into the second century of our relations with Japan, we can look forward to an even larger market there. The Japanese Government has announced its intention to gradually lift restrictions against our farm products. The Japanese people have developed a liking for Western-type foods, and their ability to purchase such foods continues to improve.

Cover Photograph

Mt. Fujiyama, Japan's sacred mountain and its highest, is near the southern end of the mountain chain that occupies three-quarters of the country's land area. Limited arable land has been a major factor in shaping Japan's agriculture and trade. (See stories on pages 3-11.)

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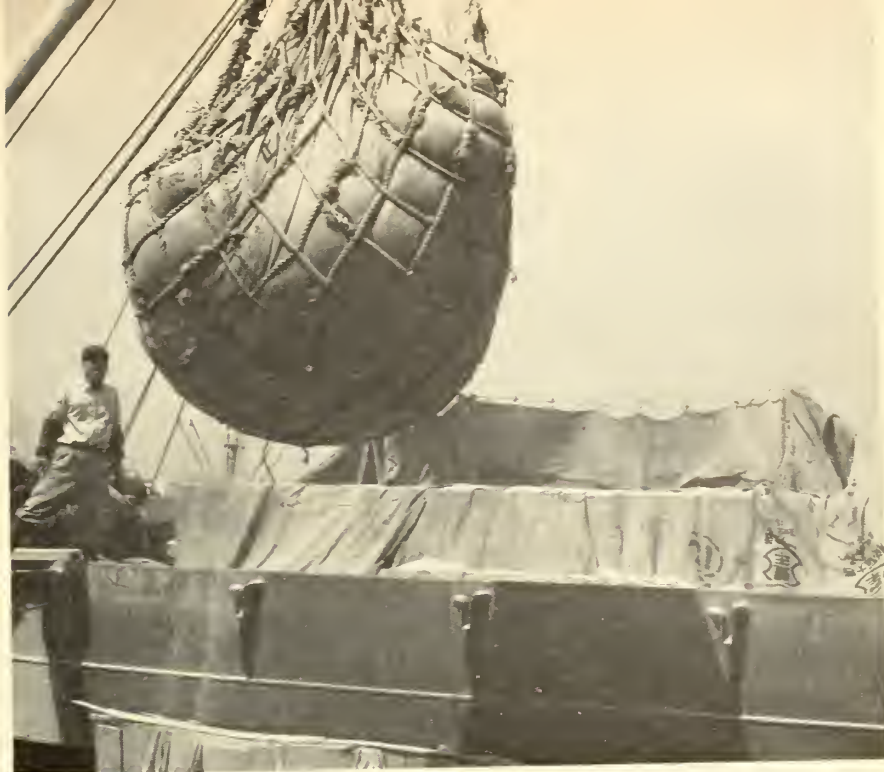
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Foreign Agriculture is published monthly by the Foreign Agricultural Service, U. S. Dept. of Agriculture, Wash. 25, D. C. Use of funds for printing this publication has been approved by the Director of the Bureau of the Budget (Sept. 4, 1959). Yearly subscription rate is \$1.75, domestic, \$2.50, foreign; single copies are 15 cents. Orders should be sent to Supt. of Documents, Government Printing Office, Wash. 25, D. C.

Sling load of U.S. wheat swings from ship to barge in Tokyo bay. Japan is the largest cash market for U.S. wheat. Since World War II, the country's food habits have shifted toward the use of more Western-type foods, and wheat products particularly have been favored.

By Charles M. Elkinton
U.S. Agricultural Attaché
Tokyo



Japanese Trade in a Changing Scene

A decade ago, most U.S. students of the Japanese economy took it for granted that Japan faced a long-term and very difficult payments problem with the world—and particularly with the United States. There was at that time a general belief that the country had a built-in dollar gap in its current account—a dollar gap bridgeable only through aid, "special" earnings, or investment flows.

During the 1950's, however, the size of Japan's dollar gap gradually diminished. Although the country had a persistent deficit in current commercial transactions with the United States, only in 1956-57 did this reach alarming proportions. Dollar earnings for sales to U.S. military forces and to the International Cooperation Administration enabled Japan to add to its foreign exchange and gold reserves in most years.

In 1959, for the first time in history, the current trade account with the United States turned in favor of Japan, by the respectable margin of \$130 million. And "special" earnings raised the surplus with the United States. Thus, despite net payments

to the rest of the world, Japan earned a total of \$480 million in its international exchanges for the year. As 1960 began, its total gold and exchange reserves totaled \$1.3 billion. This development, coming on the heels of European moves toward currency convertibility, focused attention on the prospects for easing Japan's trade and payments controls.

Import Control. Japan operates a comprehensive exchange control system under which all payments to foreigners are subject to real or potential restrictions. No resident of Japan can import goods without a license. No one can make payments abroad without an allocation of foreign exchange by the government. If imports are on Japan's "Automatic Approval" list (the AA list) these requirements are a mere formality. If, however, they are not on this list, more or less severe restrictions—up to and including total prohibition—can be applied to imports and payments.

Japan's import control system has been continued under the exceptions procedures of the International Monetary Fund and the General Agreement

on Tariffs and Trade (GATT). As a subscriber to the principles of these two institutions, Japan is committed, however, to lift its trade and payment restrictions as soon as this can be done without jeopardizing its balance of payments.

Domestic economic realities in Japan also argue for an easing of controls on trade and payments. Japan's basic economic problem is that of successful competition in world markets. Obviously, the country's competitive power will be enhanced if essential imports can be bought at the lowest available prices and if Japanese industry can have relatively unhindered access to advanced foreign technology and equipment.

Liberalization. These considerations, which have been made more compelling by pressures from many of Japan's trading partners, have led the government to undertake a program to liberalize trade and payments. The basic decision to proceed along these lines was announced in January 1960 and the expressed intention of the government is to gradually lift outstanding barriers in a 3-year period.

It is already evident that there are many obstacles, both economic and psychological, in the way of liberalization. The major consideration is the long period of time over which Japan has strictly controlled its international dealings. Before World War II when the military dominated, Japan sought to manage trade so as to maximize national military power. In the wartime years and during the occupation, controls were inevitable. And after the occupation ended, exchange controls were judged necessary to protect the country's fragile balance of payments position.

As a result, many sectors of the Japanese economy have developed under the protective umbrella of controls. Agriculture and industry alike have been shielded from foreign competition or have learned to live with import controls. A variety of special interests has been created. Here, as elsewhere, an elected government cannot simply ignore these interests; rather it must consider how best to reconcile them with its international commitments and with the broad needs of the nation.

Trade-to-Live. Further, although the Japanese economy has enjoyed a decade of remarkable growth, the country's industrial life still depends on foreign sources for such key items as wool, cotton, petroleum, iron ore, steel scrap, and coking coal. The Japanese people know that the nation must trade to live, that an unfavorable trend in international trade will threaten jobs and the standard of living, and that without export earnings the country cannot buy the raw materials it needs to function as a modern state.

Any government in Tokyo must take into account this public awareness of Japan's dependence on trade. As a result, added weight is given to the tendency to be cautious about actions that might cause imports to grow faster than export earnings.

Progress. Nevertheless, liberalization has begun. And barring some unexpected setback in the country's exports, it will undoubtedly continue. Already, commodity imports accounting for about 36 percent (by value) of Japan's total imports are unrestricted.

By April of 1961, according to present plans, this figure will climb to 62 percent. Discriminatory allocations of foreign exchange are being dropped. The government proposes to discontinue discrimination against soybean imports from the dollar area after October 1960, thus ending the last major element of overt discrimination in the foreign exchange budget.

During the current half year—April through September—the foreign exchange budget has been set at a record \$2.4 billion. The practical consequence is to allow larger import quotas for many commodities. If, indeed, the budget can be expanded further, many imports will come to enjoy, in effect, automatic approval.

As the liberalization program proceeds, there will, of course, be efforts to ease the problems of transition and to continue to protect domestic producers of some items. As a subscriber to GATT, Japan has bound many of its tariffs and therefore cannot unreasonably raise import duties in lieu of exchange controls. Selective tariff increases and other measures probably will be adopted, however, to avoid unusual and sharp changes in import patterns.

Of particular concern to U.S. agriculture is the question, Which commodities will finally be effectively liberalized? Japan could import larger quantities of farm products, but these rank high among the items in domestic production—which is relatively high cost—that are now being protected by import barriers.

However, liberalized trade in the form of automatic approval of applications for foreign exchange without regard to the source of imports is already in effect for a number of farm products including hog grease, tallow, hides and skins, and corn. Further, soybeans will be transferred to automatic approval in October, and cotton is scheduled for transfer on April 1, 1961. The government buys all wheat, rice, barley, and tobacco and this practice may continue indefinitely.

Japanese officials and others feel that full trade liberalization for agricultural products will come about slowly. They believe that internal regulations and controls may be used to

offset in part the liberalization achieved by shifting commodities to the automatic approval system. Still, stepped-up farm imports would fit with Japan's economic situation and will be needed as population rises.

Big Market. Japan already is one of the largest outlets for U.S. farm commodities. It is the biggest single market for U.S. cotton, soybeans, and hides and skins, the second largest buyer of U.S. tallow, the largest cash market for U.S. wheat, and an important outlet for a number of other items. It is the second largest U.S. export market, and 35 to 40 percent of the total annual volume of U.S. shipments there consists of agricultural products.

On the other hand, the United States is Japan's most important foreign market—taking about 30 percent of total exports of all commodities each year. Moreover, the volume of U.S. purchases of Japanese goods—less than 5 percent agricultural—is gaining steadily despite the fact that some Japanese industries are voluntarily limiting export sales to insure orderly marketing and thus avoid having restrictions imposed on their goods.

Therefore, within the rather sensitive setting of the current Japanese trade outlook, the critical interest of U.S. agriculture is clearly evident. Relaxing import barriers, plus the natural growth of the market, could result in much larger sales of U.S. farm products to Japan—perhaps even to the extent of a 25 to 30 percent rise in the next few years. But a major factor that will encourage and facilitate effective liberalization in Japan's import trade will be the ability and willingness of the United States to continue to buy increasing quantities of the many items that Japan has to sell. The imposition of restrictions on imports of Japanese goods into the United States might well check the development of additional markets for this country's farm products in Japan, and could even cause a cutback in the present volume of sales. It is most apparent that the people of the United States—especially its farmers—and the people of Japan have much to gain from expanded two-way trade.

Postwar Japan Trending Toward New Eating Habits



Above, Japanese schoolchildren happily mixing the old ways of eating with the new. All are drinking milk; some are eating wheat rolls and some have rice and vegetables prepared at home. Left, Western-style hams and sausages give the new look to a meat counter in one of Tokyo's big modern food-marketing centers.

**By John D. Motz, Assistant
U.S. Agricultural Attaché, Tokyo**

Postwar Japan is quietly contradicting the idea that a traditionally rice-eating country will never change its food habits. This is not to say that the Japanese have stopped eating rice, or that it is not still the most important single item of their diet. But gradually, as incomes in Japan have increased in the 15 postwar years, the Japanese have been eating more Western-type foods.

A vivid illustration of this change is what happened last year, after Japan's farmers had harvested five bumper rice crops in a row and made the country practically self-sufficient in rice for the first time in many decades. This abundance, though it fulfilled an old Japanese dream, created a new and vexing problem for the government: the rationing system threatened to break down. Many people did not even bother to buy their rations. By now, rice was not all they wanted; experience with new foods had broadened their food-buying habits.

New Foods. Ten years ago it would have taken a long search to

find a loaf of Western-type bread, sliced and wrapped in wax paper. Yet today, every large city has a number of bake shops, and even the villages of Japan have shops that sell rolls, bread, cakes, and pastries.

Japan's milk consumption, too, has increased tremendously within the past few years; and it is still doing so even though the cost of milk is high compared with that of other food items. A common sight now in many Tokyo office buildings is the boy who delivers small bottles of milk to the employees each day. This "milk break," amounting to somewhat less than a half pint, costs around 5 cents.

Another Western-style food gaining in popularity is cheese—practically unknown to Japanese consumers 4 years ago. One oldtimer in Japan, when asked then whether the Japanese liked cheese, answered, "How could they know, since most likely they have never tasted it?" The answer now would have to be that they do like it, more and more, and no longer find it a "foreign food." Recently, dairy companies sponsored a cheese exhibit in one of Tokyo's large de-

partment stores. They showed samples of cheese from all the principal dairy countries in the world; they also showed—and sold—cheese produced in Japanese dairies.

Meat is still somewhat of a luxury food in Japan, and the housewife uses all the resources of Japanese cookery to make the most of every ounce of pork and beef she can afford. Most Japanese cities have numerous markets where meat and poultry are readily available, but prices are often high. Last year, when Japan had a pork shortage, the government permitted imports of pork from Australia and Canada to bring pork prices down. However, the government's program for encouraging the domestic livestock industry should help make livestock products more plentiful and more reasonably priced in the future.

Transition. Along with rice, the staple Japanese foodstuffs have always been vegetables and seafoods. The Japanese produce every kind of vegetable we have in the United States, as well as many we do not know; their kinds of fish and shellfish are almost unlimited. With other foods



Udan, or noodles mixed with soy sauce and sometimes with vegetables, fish, or meat, is responsible for part of the increased use of wheat in Japan since World War II.

Left, the Japanese also buy many Western-type wheat products like bread and rolls. Wheat has helped to enrich the diet of this cheerful clerk's husky young customer.

scarce or absent, it has usually been this great range that gave variety to the diet. Now, the Japanese are able to buy larger amounts of these favorite foods, in addition to the new kinds of foods from abroad.

Japan is Asia's most fully industrialized country, and its income level has been rising regularly throughout the 15 postwar years. It is more prosperous now than at any time in the past. This fact has combined with the memory of severe wartime and postwar food shortages to encourage the transition now going on in Japanese food habits. According to Dr. Oiso, Chief of the Nutrition Section in the Ministry of Health and Welfare, people may have skimped on food before the war, to save money; but after the war, realizing the necessity of good food for health, they were more inclined to spend money on food.

For a time, however, there was little food to spend it on. The rice crop of 1945 was one of the lowest in history. To prevent mass starvation, the Occupation authorities shipped large quantities of wheat and other commodities to Japan. Some of these commodities and the prod-

ucts made from them, such as bread, many Japanese consumers had never seen before; but they learned to depend on them, even to like them, as time went on. Later, through tremendous efforts, the Japanese pushed their rice crop up to what looks like a permanently higher level, and many a family was able for the first time to get enough rice. Still, the new foods have kept their place on Japanese tables.

Japan's youngest consumers have probably had one of the biggest long-range effects on its food habits. Through the ever-expanding school lunch program begun in 1947, nearly 10 million children every day are now getting a wheat roll and a cup of milk made from nonfat dry milk. The wheat roll, though served without butter or other spread, is fresh and good, and the children develop a taste for bread. They also like the milk, and this stimulates the whole family's interest in dairy products.

The entry of many rural people into industry and city life has done much to widen Japanese contacts with Western-type foods. In the large cities, numbers of people—especially

young unmarried people without cooking facilities—eat mostly in restaurants, with at least one Western meal a day. In department stores and at other convenient locations, they can find quick meals at snack bars like those in the United States—sandwiches, milk, coffee, and other Western foods. And many urban Japanese can now afford to sample foreign foods in the restaurants—French, Italian, German, Russian, as well as Chinese and Indonesian—that can be found in all large Japanese cities.

Nutrition Planning. But the shift in Japanese food habits is actually no hit-or-miss matter. The Ministry of Health and Welfare, together with the large and influential private associations interested in nutrition improvement, carries on a continuous program to educate the public in the importance of a balanced diet. Special attention is given to wheat and dairy products. Sample menus are provided, showing uses for a wide variety of foods in both Western and Japanese cookery. And in this highly literate nation, the public gets the message.

(Continued on page 21)

U.S. Farms Are Principal Source Of Japan's Agricultural Imports

By R. H. Kirby
Far East Analysis Branch
Foreign Agricultural Service

The United States is the main foreign supplier of farm products to the Japanese market and has held this position since the end of World War II. In most years Japan imports U.S. farm products valued at more than \$400 million. With trade at this level, Japan has ranked as either the first or second largest market for U.S. agricultural commodities during all years but one of the past decade.

Japan is the world's fifth ranking importer of agricultural products. Although Japanese agriculture is noted for being highly intensive, it cannot meet the country's total requirements. Japan needs to import about one-fifth of its food consumption each year, besides large quantities of fibers and other farm products. At the same time, Japan exports certain farm products, principally silk, tea, and mandarin oranges, but their value is far less than that of farm imports, which has averaged about \$1.5 billion over the past 5 years.

Seven commodities—wheat, barley, corn, hides and skins, soybeans, cotton, and tallow—have made up the bulk of Japan's agricultural imports from the United States. In some years, substantial amounts of tobacco move also. In some years too, the United States has found markets in Japan for significant amounts of nonfat dry milk, wheat flour, various oilseeds and vegetable oils, wheat bran, and cotton linters. Rice was important in the

early 1950's, but practically none has moved since the first of Japan's bumper rice crops in 1955. Other major farm imports into Japan include wool, sugar, rubber, hard fibers, and bananas; the United States, however, is not a principal supplier of any of these commodities.

For the seven items that have been most important to the United States, Japan's imports from all sources totaled about \$750 million during 1959—up slightly from the previous year. However, its imports of these items from the United States declined 20 percent to a level of \$293 million.

The most important factor in this decline was the sharp reduction in Japan's purchases of U.S. cotton. The quantity of cotton that Japan imported from all sources reached a postwar high in 1959, though the value of cotton imports changed scarcely at all because of a decline in the world price. Since the U.S. export price did not immediately follow the world price, Japan withheld purchases from this country and turned to other sources. For the first time, it bought more cotton from Mexico than from the United States. El Salvador and Nicaragua also made large gains. However, since the U.S. export price was made competitive in August 1959, Japan has again bought cotton heavily in this country. During the first quarter of 1960 it imported 636,000 bales from the United States—only

7 percent less than it imported during all of 1959.

Though Japan's total imports of wheat in 1959 reached the record level of 2.4 million metric tons, imports from the United States fell to 873,000 tons, the lowest point since 1950. The U.S. share of the total wheat imports during the first quarter of 1960 is slightly less than one-third—the smallest in many years. The Japanese Government encourages the consumption of wheat products, but increases in demand are now mainly for hard wheats, and Canada has consistently held a competitive edge as the main supplier. In supplying soft wheat, the United States has been faced with Australia's bid for larger sales to Japan.

In years past the Japanese used barley principally for human consumption. With increasing incomes, this use has been declining and may be discontinued altogether in the not too distant future. Imports are expected to level off, and most of the import supply will probably be used for livestock feed. The United States, Canada, and Australia will remain the principal suppliers. Although Japan imported no barley during the first quarter of 1960, it plans imports for the succeeding 12 months at about 190,000 metric tons.

Japan's total imports of corn have grown sharply from about 100,000 tons during 1950-54 to nearly seven times that level for 1957-59. Corn, used mainly for livestock feed, is imported freely under the Automatic Approval system. The United States has faced stiff competition from Thailand, the Union of South Africa, and Argentina. Imports of U.S. corn declined in 1959, and a poor start was being shown for the first quarter of 1960, with other countries gaining.

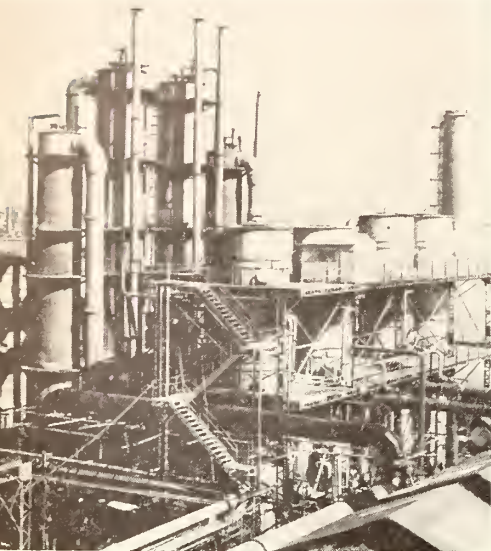
Soybeans, used both to crush for oil and to process into food products, have enjoyed an expanding market in Japan. Total imports increased to nearly one million tons in 1959—almost all coming from the United States. Brazil has shipped only small amounts in accordance with its trade agreement with Japan. As long as there remains a breach in trade rela-

JAPAN'S MAJOR AGRICULTURAL IMPORTS

Commodity	Average 1954-58		Jan.-Mar. 1959		Jan.-Mar. 1960	
	Total imports	Imports from U.S.	Total imports	Imports from U.S.	Total imports	Imports from U.S.
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
Wheat	163.7	82.2	31.6	15.0	40.7	12.9
Barley	50.2	19.6	10.0	1.3	0	0
Corn	28.5	13.8	13.5	5.5	17.4	2.6
Hides and skins	25.5	16.2	8.0	4.3	8.0	4.7
Soybeans	86.7	66.4	29.3	28.4	37.0	34.2
Cotton	396.7	158.4	73.7	20.1	123.3	76.0
Tallow	23.6	20.2	7.5	5.5	6.5	5.7
Total	774.9	376.8	173.6	80.1	232.9	136.1

(Continued on page 21)

Right, Japanese farmers unroll vinyl covering over upland rice seedling-bed. Below, modern fertilizer plant, of which there are many in Japan today.



By John D. Motz
Assistant U.S. Agricultural Attaché, Tokyo

How Japan Has Expanded Its Agriculture

The well-known story of Japan's phenomenal economic recovery in the past decade, and of its continued industrial expansion, is repeated in the country's agriculture. Compared with the early 1950's, total farm production has gone up more than 30 percent. Production of rice, Japan's staple food and principal farm commodity, has gone up over 25 percent, and has averaged 12 million tons during the past 5 years. This has brought the country to the point of self-sufficiency in rice.

Percentage increases for other farm products have been striking too. In round numbers, they are about 30 for pulses, 95 for fruits, 125 for poultry and eggs, 125 for livestock, 275 for milk and dairy products. The last three percentages reflect the swift postwar development of these farm industries in Japan, in response to the growing taste of the Japanese for Western-style foods.

Since rice represents more than half of Japan's total farm output (by value), the country's efforts toward increased production have been concentrated chiefly on it. However, except for details that could differ for

each crop, the principal factors that have helped the rice output have also helped raise the general level of Japanese agriculture.

Japanese farmers as a group gained increased incentive from the postwar land reform that gave them individual ownership. Japan's agriculture has always been characterized by the small size of its farms, averaging about 2 acres; and intensive cultivation has been required. Yet under the old system of tenant farming, the more the tenant produced, the higher his rent. The Japanese farmer now is an individual businessman, if only on a small scale; and his traditional diligence brings him personal rewards.

Coupled with land reform to provide incentive is the postwar system of price supports and subsidies guaranteeing the farmer a market at fair prices. His only fears and uncertainties are now those caused by Nature, in the form of the typhoons that frequently strike Japan in the autumn. The annual budget for agriculture therefore provides funds to meet the costs of these disasters.

Especially beneficial to the rice crop, though also to other crops, has been

the extensive land improvement since the war. Between 1946 and 1956, more than 5 million acres of rice land was improved by irrigation and drainage work.

Better drainage has made it possible to apply more fertilizer. The Japanese have been carefully studying their land to determine the fertilizer types, quantities, and application methods that will bring maximum production. By 1958, more than a quarter of the land devoted to rice production had been so classified. For many years, the most common fertilizers used in Japan were either compost or night soil. But even before the war, Japan had become a major producer and consumer of chemical fertilizers. The industry has now developed into one of the most modern in the world. Although it still needs to import certain fertilizers, the country can now produce adequate quantities of some of the most common, such as ammonium sulfate, urea, ammonium nitrate, ammonium chloride, and calcium cyanamide, as well as the usual range of phosphate fertilizers.

Also important in raising yields has been increased use of chemicals to

control insects and disease. Within the last 5 years, insecticides have come into common use in rice paddies; earlier, farmers feared their effect on human health. The use of weed killers such as 2,4-D has also become more prevalent.

Improved varieties, especially for rice, have made a big contribution to Japan's farm progress. By 1957, more than 120 varieties of paddy rice were in use, and around 40 of upland rice. Some of the newer strains are resistant to diseases and cold, and have helped extend the growing season.

Still more useful in extending the season, however, is the early transplanting of rice seedlings, made possible by the use of oil paper and vinyl plastic to protect the seedbed from the cold. This permits earlier seeding and thus moves the transplanting period forward by several days, perhaps by as many as 10 days. The method has special importance in the colder districts and in those where typhoons are common every fall. Recently the Ministry of Agriculture and Forestry has experimented with a new process for protecting seedbeds—one that may eventually replace coverings of vinyl plastic and oil paper. A chemical called OED, which when sprayed on water increases its temperature by preventing evaporation, produces the same effect when sprayed on soil. In addition, this agricultural aid can be used on reservoirs to prevent loss of water.

At least some of Japan's agricultural gains can be attributed to increased mechanization, despite the limitations that small farm size puts on the extensive use of machinery. As of February 1959, there were in use throughout Japan 330,000 powered cultivators—nearly 4 times as many as in December 1955. The use of power-driven threshers and electric motors for various jobs on the farm began to take hold immediately after the war. However, the most significant increase in the use of machinery has taken place since 1955; and this increase has been accompanied by 5 successive bumper crops. Even on a small farm, machinery brings many benefits. Less total labor is required, and the farmer can devote more time to irrigation and to the prevention

of diseases and pests. Also, he has some time for leisure, a luxury unknown to farmers in the Japan of earlier times.

A big share of Japanese agriculture's success is due to the wholehearted support the government gives to agricultural research. Under the National Agricultural Research Organization function the National Research Institute of Agriculture, the National Institute of Agricultural Sciences, the National Institute of Animal Hygiene, the National Sericultural Experiment Station, eight regional agricultural experiment stations, and at least one experiment station for each of the 46 prefectures.

Budgets for agricultural research are increasing each year. For the Japanese fiscal year 1959, the national budget for research amounted to \$8,879,000; this included almost \$1,000,000 in subsidies for the work of prefectural experiment stations and other research not carried on by the national government. Notable results have been obtained, not only for rice, but for other crops too. Recently more funds and research have been devoted to livestock breeding, upland farming, fertilization techniques, and fruit and vegetable production.

Extension work, carried on in close relation with the work of the experiment stations and research institutions, brings the fruits of research to the whole farm family—the farmer, his wife, and their children. The system is patterned in general after the extension service in the United States,

as a cooperative undertaking between the national government and each prefecture. A traveler in Japan cannot but be impressed by the sincerity and capability of the typical extension advisers. They are respected by the Japanese farmers, and their advice and assistance are sought. The story of agricultural progress in Japan would not be complete unless credit were given to this outstanding service, which is often not only the link between theoretical and applied research, but a line of communication between the farmer and the world beyond his farm. Japan's Vice Minister of Agriculture and Forestry, Goro Watanabe, regards the farmers as probably the best informed group in his country. Given their ambition, energy, and willingness to adopt new techniques, the world can expect still further progress in Japanese agriculture.



Top, farmer using power cultivator in rice paddy; above, controlling pests with power duster. Modern methods have upped rice output 25 percent in last 5 years.



Formers compete with their prize dairy heifers at a local livestock show. With over a half million head, dairying is Japan's largest livestock industry.

By Donald Novotny,
Assistant U.S. Agricultural
Attaché, Tokyo

Japan's Livestock Boom

may lead to bigger market for U. S. feed grains

Changing dietary habits in Japan plus rising per capita incomes have stimulated a large and fast-growing demand for livestock products. Today Japanese farmers are finding livestock enterprises increasingly profitable and are making every effort, within the limited resources at their disposal, to take advantage of this situation. Moreover, the Japanese Government, interested in improving both farm incomes and the food habits of the general population, has, over the last 2 to 3 years, undertaken a wide variety of measures designed to assist farmers in expanding livestock production. As a result, milk, meat, and egg production has shown a sharp upward trend, and the prospects are that this will continue.

Dairying is the largest livestock industry in Japan. Dairy cows now number about 544,000 head, and milk production has almost doubled since 1955. This year it is expected to reach nearly 2 million tons, or about 45 pounds per capita.

The northernmost island of Hokkaido has long been Japan's most important milk-producing area because of its relative abundance of feed, forage, and pastureland. In the heavily populated central and southern parts of Japan, milk production, as well as

milk consumption, has been rather insignificant. This situation is changing. Modern dairy plants are springing up in every metropolitan area, with fresh milk being supplied in increasing quantity from surrounding farms. The government recently estimated that over the next 10 years Japan's total milk output would increase by 285 percent.

Poultry and Eggs. Of all livestock products, chickens and eggs have long been the most popular. Yet chicken numbers today are only about 10 percent above prewar levels, and the consumption of both eggs and poultry is rising much less rapidly than that of either milk or pork. And although more eggs than meat are being consumed, it is expected that the situation will be reversed within a few years.

At the present time, chicken accounts for slightly over 10 percent of Japan's total meat production. A broiler industry has started to develop, and this may encourage greater consumption since most of the poultry meat consumed up to now has come from the culls of laying flocks. As is true of other livestock in Japan, the common chicken breeds are of excellent quality. Laying efficiency is very high, with occasional breeding



Japanese farmer checks yield of forage grasses with a livestock station expert. Stations reporting hens that have produced 365 eggs a year. The government outlook is for a 105-percent increase in egg production during the next 10 years.

Other Meat Products. By far the fastest growing branch of Japan's livestock industry is swine. Pork production has risen 118 percent since 1955, accounting for over 80 percent of the total increase in meat production in the past 5 years.

Consumption of pork in Japan first



These bulls are kept at one of the many stations throughout Japan which provide artificial insemination for dairy farms.



U.S. hogs, a gift from Iowa to Yamanashi Prefecture, have helped to stimulate the growing interest in hog production.

surpassed that of beef in 1957; it now represents over 40 percent of total meat consumption. The abundance of hog feeds appears to be the main reason. Because of the intensive nature of Japan's agriculture, it is only natural that farmers should turn to poultry or swine to take advantage of the growing demand for meat. Poultry rations, however, consist largely of corn, whereas hogs in Japan are fed whatever is available; and since corn must be imported and there have been good supplies of sweetpotatoes and barley for hog feed, hogs have won out.

Although calf slaughter and the production of cattle specifically for beef are increasing, most of the beef eaten in Japan comes from old draft animals and dairy herd culls. Even so, the quality of the beef meets high standards. Japan's "Kobe" beef is famous for its taste and tenderness, attributed to special feeding, the massaging of live animals, and other conditioning practices.

Over the next 10 years, it is estimated that total meat production, including chicken, will increase more than 150 percent. Cattle will continue to increase steadily, particularly in view of the anticipated growth of the dairy industry; but the bulk of the expansion will probably come from pork and chicken, the extent to be determined mostly by feed supplies and, of course, the eating preferences of Japanese consumers.

Feed Supplies. Japan's livestock boom has meaning for U.S. agriculture in that there will be a greater demand for feedstuffs. Imports, principally of corn, already make up over 20 percent of the concentrated feeds used in Japan; and from all indications it appears that Japan's ability to expand domestic feed supplies is quite limited.

Pasture and forage crop production, needed primarily for dairy and beef cattle, may be increased considerably through wider use of less desirable land. But, because of the great shortage of arable land, the Japanese farmers' preference for producing cash crops, and the need to maximize food production, there is virtually no hope that the output of concentrated feedstuffs can keep up with the demand. Also, at the present time about 60 to 70 percent of domestic feed supplies comes from nonmarketable foods and byproducts of food processing industries, where output is determined by factors largely unrelated to increasing livestock numbers and the demand for feed.

It is not unlikely, therefore, that as much as 50 to 75 percent of all future increases in concentrated feedstuff needs will have to be imported. During the past 2 years, for example, imports of feeds rose by about 600,000 tons, while domestic supplies managed to expand by about 700,000 tons.

Currently, less than one-fourth of

Japan's feed imports are supplied by the United States. U.S. shipments account for only about 30 percent of the country's corn imports, 20 percent of the wheat bran imports, and a negligible portion of the feed wheat. For bran and feed wheat, uncertainty of supply and a slight but very important price disadvantage discriminate against U.S. products. So, although future requirements for both of these will be considerable, the U.S. share of this market is likely to improve very little, if at all, under this price situation.

Corn is a different story. Because the Japanese prefer corn of darker color, importers and feed manufacturers are inclined to buy their corn from such countries as Thailand, South Africa, or Argentina, provided, of course, that price and quality are otherwise equal. But in any case, since large additional supplies of exportable corn and grain sorghum are available only in the United States, there is good reason to expect that Japan will be buying much greater quantities of U.S. feed grain in the years ahead, regardless of color. And should the matter of color be overcome by adopting the use of offsetting feed additives, the market for U.S. grain would be certain to expand even more rapidly. Reasonable competitiveness of U.S. corn and sorghum with regard to price could then mean a substantial increase in the volume of U.S. shipments to Japan.

Million-Dollar-A-Day Market In Germany For U.S. Farm Products

West Germany's spectacular economic boom of the past decade has given the country the money and the market for carrying on a worldwide trade.

Sales of U. S. farm products in the big West German market are apparently on their way to another good year in 1960. Early information indicates that U.S. cotton made up half of West German cotton imports in the first 4 months of the year. U.S. soybeans, variety meats, tobacco, and poultry were also up. Turkey sales particularly have skyrocketed; since imports were liberalized last year, they have gone from 24,000 pounds in the first 4 months of 1959 to 3.5 million in the same period of 1960.

For some years, West Germany has been a valuable market for U.S. farm products. In fact, it has been a million-dollar-a-day market over the past decade, despite its ups and downs—which have ranged from a low of slightly over \$237 million in 1953 to a high of nearly \$533 million in 1957.

In 1959, the United States supplied West Germany

with nearly \$375 million of farm items. This was about 13 percent of the value of the West German market and a larger share than that supplied by any other country.

West Germany has a strong economy, no balance of payments problems, and large dollar reserves; thus the stage would appear to be set for an expanding market for U.S. farm products. Whether or not this expansion will take place depends on a number of factors. First and foremost is the effect the Common Market will have on U.S. exports; so far it is too early to assess this effect.

Apart from the Common Market, West Germany is operating in a buyers' market, and is highly conscious of quality, consumer and producer preferences, commercial convenience, and competitive prices. To expand or even maintain the West German market for U.S. farm products will take the combined and coordinated efforts of the U.S. Government, commodity trade groups, and exporters.



German beauty picks drumstick from tray of fried chicken held by Attaché Phil Eckert. The United States introduced frozen poultry in 1956 and, by 1959, had become West Germany's No. 2 supplier.

Samples of imported cotton are classified at Bremen Cotton Exchange. U.S. cotton exports to West Germany have fluctuated but are up so far for 1960.



Right, 1,000-pound hogsheads of U.S. tobacco are swung to dock at West German port. German manufacturers feel the country will always be a good market for high-quality U.S. tobacco.



Secretary of Agriculture Ezra Taft Benson examines U.S. soybeans at Fair. Soybeans are the major U.S. export to West Germany.



Photographs by Phil Eckert



Left, golden stream of U.S. wheat pours into canal barges for delivery to milling centers. Above, German veterinarians inspect U.S. beef livers. West Germany is the biggest market for U.S. variety meats.

French Parliament Working To Revise Country's Basic Agricultural Laws

By Elfriede A. Krause
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(After this article went to press the French Parliament passed the agricultural law in essentially the same form as that approved by the National Assembly.)

Now before the French Parliament are several bills which together represent a basic revision of French agricultural policy. The proposed policy is clearly designed to place France's agriculture in a better position to reap the advantages of membership in the Common Market. It could make France a stronger competitor for U.S. agriculture.

The main bill, the so-called agricultural orientation law, sets forth the general principles of the new policy. Main goals are to be—

- increased agricultural productivity through technological advances;
- improved markets and prices;
- a farm labor force as large as is compatible with adequate farm incomes;
- conservation and improvement of land resources;
- improvement of the family farmer's social and economic position, making it equivalent to that of other occupations.

The other bills, which largely implement the main bill, deal with agricultural investments, agricultural education and training, land consolidation and other improvements, health insurance for farm families, and a supplement to France's 1960 budget covering additional expenditures for agriculture. All were first submitted late in April. The agricultural orientation bill passed the National Assembly in May but was rejected by the Senate and returned to the Assembly for further consideration early in July. There have been a number of changes since the bill was first approved by the Cabinet, and there will be more before the law takes its final form. But probably none will make much change in its major objectives.

Marketing and Prices. From the

standpoint of U.S. agriculture, the most interesting features of the bill are its revisions of agricultural marketing and price policy. A new Fund for Market Regulation and Orientation is to replace the three former funds—one for meat, one for dairy products, and a Mutual Guarantee Fund which intervened in the markets for certain other farm products. No change is made in the special, more comprehensive organizations that control grains, oilseeds and oil, sugar beets and sugar, and wine, though the version passed by the Assembly does call for reorganization of the National Grains Office (ONIC) before July 31 next year.

Export Program. Each year the Ministry of Agriculture is to set up an export program, to be carried out by special associations made up of exporters, producers, financial institutions, and public agencies. These associations may export only commodities that are standardized or that carry a quality label. Beginning January 1, 1966, standardization of farm products will be extended to the major domestic markets also.

Import Program. Imports of agricultural products, except where existing international commitments are involved, will be permitted only when authorized by the Minister of Agriculture after consultation with the Market Regulation Fund. (The exception would presumably include liberalized commodities.) For commodities under price support, the bill that the Assembly passed provides also that when prices of the French products are below the floor support level, the corresponding imported products must be priced at that level or above it. Under this bill too, equalization fees to be levied on imported products after January 1, 1961, will go to the new Market Regulation Fund.

Price Policy. Not surprisingly, the touchiest problem appears to be price

policy. The bill as originally proposed simply provides that new objective prices shall be fixed by October 1961, representing gradual increases to the level of the Common Market prices, if those prices have been agreed upon by then. The Assembly, however, inserted a provision for 1960 prices based on cost, to give farmers purchasing power at least the equal of what they had in 1958. The main reason why the Senate rejected the bill was that the two Houses failed to agree on what price levels to adopt.

Income Parity. Like the basic agricultural law of West Germany, the proposed French law calls for an annual report discussing the agricultural situation and comparing farm income with that of other sectors of the economy. It also calls for an annual agricultural development plan, designed to eliminate income disparities still existing. Germany, in its annual Green Report and Green Plan, draws heavily on bookkeeping results of representative farms in measuring farm income. However, as the French Minister of Agriculture has pointed out, the number of French farms with adequate bookkeeping records is not yet large enough for this purpose.

Nevertheless, the French law includes the concept of a "normal farm"—one that can be operated by two persons and that yields an adequate return in money, both for the manpower and for the capital employed. The size of the "normal farm" would vary by region and by type of farming. The state is to give financial aid on a priority basis to help each farm reach this "normal" size.

The bill also includes provisions for facilitating the payment of inheritance taxes on farms (deferred payments without interest charges); for protecting tenants' rights; for the cultivation of unused tillable land; for land consolidation and improvements; for creating organizations to purchase land for improvement and resale to private farmers; for regional development zones; for promoting contracts between producers and processing industries; for reorganizing the market for meat products, and in particular for modernizing slaughterhouses; and for changing the laws on co-operatives.

Rhodesia and Nyasaland And the Common Market

By **Tilmer O. Engebretson**
U.S. Agricultural Officer, Salisbury

In the heart of Africa south of the Sahara lies one of the most rapidly developing countries in the world—the Federation of Rhodesia and Nyasaland. Conceived as a political entity scarcely 7 years ago, it has made spectacular economic progress. This expansion of economic activity was most pronounced in the decade following World War II, and while it is still going on, the rate is somewhat slower than that prevailing prior to mid-1957.

Composed of Southern Rhodesia, Northern Rhodesia, and Nyasaland, the Federation, although dwarfed by the massive size of the continent of which it is a part, is, in fact, larger than all of Texas, California, and New York combined. In population it ranks with Greece and Sweden, with a total of 8 million, of whom 300,000 are Europeans. Richly endowed with mineral resources, particularly copper, the Federation also is becoming an increasingly important producer of agricultural commodities.

The country was first settled by Europeans in 1890 after extensive missionary activity beginning in the 1850's. The early Rhodesian pioneers, some of whom were American citizens, were primarily interested in the gold and other minerals known to be found in Central Africa, but their numbers also included some whose interests inclined to agriculture. Land was plentiful and cheap, but the first decades of settlement were rendered difficult by the primitive conditions and the remoteness from remunerative markets.

In the mid-1920's a minor tobacco boom and a cotton boom occurred, both of which were cut short by price drops and inadequate marketing arrangements. The Great Depression further slowed the pace of growth, and it was not until after the dislocation and interruptions caused by World War II that significant growth was resumed. Agriculture has shared in this growth and has been contributing, increasingly, to the national income.

Dual Economies. The Federation is a country with two economies. This duality is particularly noticeable in its agriculture. On the one hand, there are the relatively few European producers, operating tobacco, corn, and cattle farms on extensive acreages, with impressive know-how and capital and equipment resources. On the other, there are the large number of African producers, mainly plowholders, who lack both know-how and resources, and many of whom till their acres largely on a subsistence basis with primitive tools. In between are the smaller European enterprises and the larger "Purchase Area" African farms, but these are not sufficiently numerous to change the basic duality of the Federation's agriculture. This basic difference often poses difficulties with regard to agricultural policy-making—difficulties that are not minimized by the fact that European agriculture in the two



Photos courtesy Rhodesian Tobacco Assoc.

Viewed from the air, Salisbury, federal capital of Rhodesia and Nyasaland, is a city of modern buildings and apartments.

Rhodesia is a Federal Government responsibility, whereas European agriculture in Nyasaland and African agriculture in all three territories are Territorial Government responsibilities.

Both the Federal and Territorial Governments are expending considerable effort and money on agricultural improvement. Research and advisory services are at a high level and are constantly being bettered. In Southern Rhodesia a land-allocation program which grants individual tenure rights to Africans in the Reserves is in its final stages of being carried out. So with all this, the Federation's rural areas are expected to move ahead in the next decade.

The production of tobacco, corn, and livestock products dominates the agricultural scene. The corn is largely for domestic human consumption, as are livestock products, but tobacco exports are second only to copper in value. A small but promising export market in beef, which began to develop in 1958, continues to make good progress despite the drought during the 1959-60 season.

Agricultural Trade. The Federation enjoys a substan-

tial favorable balance in its agricultural trade. In 1959, agricultural exports were valued at $3\frac{1}{2}$ times the value of agricultural imports. But even with a very favorable man/land ratio the area is a net importer of food; in 1958, food imports exceeded food exports by over \$19 million. There are several reasons for this but, basically, both physical and economic considerations favor the production of such export crops as tobacco, tea, and tung more than the principal import items such as sugar and wheat.

Sugar. The Federation draws the bulk of its sugar supplies from neighboring territories. Sugar is the largest food import by value, and consists primarily of raw sugar from Natal, but includes some refined sugar from Portuguese East Africa. Current development plans envisage that self-sufficiency in sugar will be obtained in 1964.

Grains. The only grain imports of any significance are wheat, for which domestic production supplies less than 2 percent of annual consumption. Australia supplies 85 percent of the Federation's wheat imports, and Canada

furnishes high-protein hard wheat for blending. Occasionally a shipment of wheat originates in the United States.

Dairy Products. The dairy industry is largely concentrated in Southern Rhodesia where the bulk of the European population, and hence the main market for fluid milk, is located. Imports consist chiefly of butter, with smaller quantities of canned and dried milk and specialty cheeses. Australia, New Zealand and, more recently, Kenya are the principal suppliers. The domestic production of butter could be greatly increased, but, because of the long dry season, it probably would be at a higher unit cost than the price of imported butter.

Livestock. Many areas of the two Rhodesias are best suited by rainfall conditions to a ranching economy, but the price of feed grains relative to meat prices has not encouraged the intensive feeding of livestock anywhere. Meat products produced have been largely consumed domestically, although an export market in beef and pork has been developing. There is a large potential domestic market for meat as the earning and purchas-

ing power of the African increases.

Tobacco. Americans have been associated with the Rhodesian tobacco industry from its beginnings. The Federation, like the United States, is a large exporter of tobacco, particularly flue-cured, and Salisbury is now the largest single tobacco market in the world. Production of flue-cured this year is estimated at over 210 million pounds, almost twice the 1950 level. Ninety-five percent of this will seek export markets. The annual value of the tobacco crop is about \$84 million, compared with a gold production valued at \$19 million, so obviously the descendants of the pioneers have discovered the real gold in "the golden weed."

The United Kingdom and other Commonwealth countries are the principal buyers of Rhodesian leaf, but the Federation is also concerned about the effect which developments in the Common Market may have on its tobacco exports. Limited exports of such agricultural items as hides and skins, groundnuts, wattle extract, and tea also go to Common Market countries, but these are of minor impor-

Rhodesian agricultural worker measures out tobacco seed with a teaspoon for aged former who will sow it with a watering can.



Cows strip-grozing on a tobacco form. Many corn and tobacco farmers are now turning to dairying and beef production.



tance compared with tobacco.

The Common Market. The relative importance of the Common Market countries as outlets for the Federation's goods has been steadily growing—from just under 10 percent of the total value of exports in 1954 to 21 percent in 1959. During this period, exports to these countries rose in value, \$38.6 million to \$107.8 million, and exports of unmanufactured tobacco from just over \$2.8 million in 1954 to nearly \$10.4 million in 1959. Thus, leaf tobacco exports account for just under 10 percent of the value of the Federation's total market with the Six.

With the six countries now allied in the European Economic Community (EEC), or the Common Market as it is called, a different situation presents itself; and it is not surprising if the Federation feels some concern at the probable effect of the Market on its tobacco exports. When the proposed higher rates of duty go into effect on "third country" goods entering the EEC, the Federation's competitive position will suffer relative to that of member countries and their associated overseas territories (AOT).

In the beginning, probably only Italy will be in a position to benefit. Increases in Italian flue-cured exports may tend to displace Rhodesian flue-cured shipments to the EEC, but may also displace some U.S., Canadian, and Indian leaf. A similar situation is likely to develop with respect to Italian fire-cured tobacco, with Italy in a preferred trading position vis-à-vis fire-cured tobaccos in Nyasaland.

As time passes and the incidence of duty on non-EEC/AOT leaf rises to the proposed 30 percent ad valorem, this may prove a stimulus to increased production within the Common Market area. In that event, the Federation and other non-EEC/AOT suppliers will be in an even less favorable position. But the impact on the Federation will not be as great as on other countries. The United Kingdom undoubtedly will continue as the major market for Rhodesian tobacco. Also, the Federation has important and growing markets in Western Europe and other Free World countries for such items as copper and chrome, cattle hides, wattle bark, and tea.

World Cotton Trade Now Highest Since War, with Consumption at Record Peak

This year the Free World used more cotton than ever before in its history. At the same time, the world cotton trade set a postwar record, and carryover stocks at the end of the season were the smallest since 1953.

In the season just ended (August 31), cotton consumption throughout the Free World totaled about 31 million bales—nearly 2 million more than in the 1958-59 season. Production about equaled use, but carryover stocks were down 1.2 million bales from last year—the amount of Free World cotton which moved to Communist areas during the year. A most significant feature of the current situation is that the Free World carryover of 16.5 million bales is not considered excessive, since it equals only about a 6-month supply.

U.S. output in the season just ended was up more than 3 million bales from a low of 11.5 million in the preceding year. Foreign production was down slightly, and stocks of upland cotton in foreign importing and exporting countries were relatively low at the beginning of the season. This situation, with the high world trade, combined to push U.S. exports to over 7 million bales from less than 3 million the previous year, and foreign exporting countries disposed of their

exportable supplies. At the end of the season, U.S. stocks were down to about 7.6 million bales from 8.9 million in 1958-59—and were almost 7 million bales less than stocks on August 1, 1956.

It is extremely difficult to forecast U.S. exports during 1960-61 this early in the new season, since there are a number of factors which could contribute to wide fluctuations in U.S. sales. Both raw cotton stocks and the large inventories of cotton products from the mill to the dresser drawer shift substantially from year to year throughout the world. Acreage changes and weather conditions effect changes in foreign production. Also, production in the Communist areas, which produce a third of the world's cotton, is difficult to estimate because information from these sources is meager.

Moreover, since U.S. exports supply only about 15 to 20 percent of total foreign demand, it is obvious that small percentage changes either in foreign demand or production could result in substantial percentage changes in U.S. sales. However, barring any major upheaval in the world, it seems reasonable to assume that U.S. exports for the coming year should be more than 5 million bales.

Austria Adopts a 5-Year Basic Agricultural Law

The Austrian National Assembly, on July 13, 1960, passed the long-debated "Basic Agricultural Law," to be effective for 5 years. Under this new law the farm policy will be directed toward having the farm population share in benefits of economic growth; in increasing agricultural productivity; improving Austria's competitive position; and achieving the highest feasible degree of self-sufficiency in farm products.

Under its present provisions, the existing control measures, now exercised by the three semi-official economic boards which regulate the produc-

tion and foreign trade in grain, milk, and livestock will be continued. Also, present policies of farm price supports, price stabilization, and agricultural promotional programs will remain unchanged.

One feature, entirely novel in Austria, is the provision for an annual agricultural status report ("Green Report") from the government to the National Assembly accompanied by the government bill ("Green Plan"). This covers such measures and programs as the government may deem necessary in the following year in order to achieve the objectives of the law. When extra expenditure of government funds is proposed, ways and means of financing must be suggested.

Secretary Benson Urges Liberal Trade And Farm Policy in Common Market

Last month, Secretary of Agriculture Ezra Taft Benson spoke at the "Floriade," world horticultural exhibition being held this summer in Rotterdam, the Netherlands.

He expressed U.S. concern over recent policy developments in other countries, and described in some detail the circumstances that have given rise to such concern. Regarding developments of special significance now—liberalization and Common Market farm policy—he said:

For a long time the United States has waited for trade liberalization to provide greater access for its agricultural exports to world markets. For a long time we have accepted special restrictions on our exports applied on balance of payments grounds, even though they delayed application of important concessions we had received in GATT in return for those we had effectively granted. Now that balances of payments are no longer a problem for most of the countries of Western Europe, the time has come for the removal of restrictions against imports of our farm products.

Recently, your government abolished quantitative controls over import of apples and pears. We have noted this action with much appreciation. We are gratified by your liberal trade policy.

So far as agricultural products are concerned, the action by the Netherlands Government is, however, a very isolated case. Major restrictions remain on imports of our farm products into several Western European countries.

Let us turn now to the subject of the Common Market in Europe. We are, of course, concerned that its policy be oriented in a liberal direction. The Netherlands and the rest of EEC represent one of the most important foreign markets for American agriculture. This area, in recent years, has taken an average of nearly one-fourth of our exports of farm products. Wheat and flour, feed grains, soybeans, tobacco, cotton, fruit—all move from our farms in important

quantities to supply your needs at reasonable and competitive prices. Our concern in policy developments which affect this trade is, therefore, not only one of basic principle but also of immediately practical significance.

We appreciate the broad policy objectives of the European Economic Community and the difficulties of attaining them. We support the idea of a larger market that would make possible economies that could not otherwise be gained. We have expressed our satisfaction with regard to certain features of the proposals for an agricultural policy. But there are other features, *major* features, in these proposals which give us very great concern and which, if adopted as proposed, could become a serious obstacle to the development and expansion of trade between the Community and other countries.

While in general the industrial sector of the Common Market will rely primarily on fixed tariffs for protection against outside competition, for agriculture a widespread program of government intervention is suggested. This system would (1) support prices internally at levels considerably above world levels, and would (2) effectively protect such price and production policy by insulating the domestic market from outside competition.

This insulation would be achieved mainly by the use of variable import levies; these would at all times raise import prices to at least the level desired for market supplies produced *inside* the Common Market area.

The insulation of the domestic market from outside competition by variable import levies would present additional obstacles to achievement of a liberal international trade policy. Such a device would continuously operate to offset at any level the shifting economic advantage that some producers enjoy over others. It would eliminate the benefits of competition and specialization which form the basis of the multilateral trading system that, with the help of GATT, has been built since the war.

Certainly the workability of the system of variable levies in the GATT framework poses many difficulties. Moreover, if such a system were to be adopted, as an integral part of its trade policy, by what will become the largest trading area of the world, it would inevitably spread to other areas. And its extension might not be confined to agricultural products.

The eyes of the world are on the European Economic Community. The course the Community takes will, for better or for worse, greatly affect policies in the rest of the world.

Summing up, I would say that it is our belief that the Common Agricultural Policy must be developed in a way which will achieve the objectives of the Treaty without unduly insulating the agricultural markets of the Six from the world market. In accordance with the objectives and provisions of the Treaty, the Common Agricultural Policy should offer opportunities to foreign producers to maintain and further develop their markets in the six countries on a fair competitive basis, sharing in the growth of demand in the Community.

The degree of protection at present given agriculture in the six countries is a matter of great concern to my government. The level at which support prices are established in the Community will determine the need for protection from outside supplies. We strongly urge that in establishing such supports the supply, demand and price situation in the world market, as well as in the EEC market, be taken into account. We also expect that during the transition to the Common Agricultural Policy, protection will be progressively lowered so that the Community you are building will be properly prepared for the expansion of its trade with other friendly countries.

I know that your great trading nation is in sympathy with the basic principles that have led me to advocate a liberal agricultural policy in the Common Market. We know from experience that it is not easy to act on these principles. But if we are *for* a reasonable international division of labor, we must conform to the ground rules of this policy.



Photos by Li Lee-fong, USIS, Hong Kong

Hong Kong family carefully selects citrus fruits from stall at an open air market. The United States competes with Red China for the fruit trade of the Crown Colony.

A Changing Hong Kong

In recent years, Hong Kong has shifted its trade pattern substantially. Losing transshipment business, it has turned to industry, and boomed.

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The position of Hong Kong as a market for U.S. farm products has improved considerably since 1951. Hong Kong, which is located on the rim of Mainland China at the crossroads of Far Eastern shipping lanes, has long been an entrepôt port for merchandise moving to and from China and other countries of the Far East. In recent years, its position as an entrepôt port has lost much of its importance.

Since the Communists took over Mainland China and the United Nations placed an embargo on trade to that area, much of the former China trade has been moved through Mainland ports, bypassing Hong Kong. But the Colony has grown into a thriving manufacturing center, transportation hub, and tourist attraction. Although it still does some re-export business, more and more of the goods reaching its port is earmarked for domestic consumption.

Hong Kong has now become a small but substantial dollar market for such U.S. agricultural items as raw cotton, tobacco, citrus fruits (oranges and tangerines), and poultry.

Hong Kong's import needs for both food and fiber are large and growing. Its total land area is only 391 square miles and its population, now reaching nearly 3 million, is expanding at a rate of about 4 percent a year. Only slightly more than 37,000 acres of its land is cultivable; thus, it is obvious that even with improved technology and more modern farming methods, Hong Kong cannot reasonably look forward to anything approximating self-sufficiency in agriculture.

Present output of rice—the Colony's staple food—totals less than a two-month supply annually, even though most rice land is double cropped. The remainder of the rice needs must be filled from imports primarily from the rice exporting coun-

tries of Southeast Asia and Mainland China. Much of the Colony's meat, poultry, eggs, and milk, too, must be bought from overseas sources, although Hong Kong's farmers raise some cattle, pigs, sheep, goats, chickens, and ducks. Hong Kong comes closest to self-sufficiency in the production of vegetables, but even here only about two-thirds of its needs are grown at home.

In 1959, total imports of agricultural commodities reached nearly \$300 million. Mainland China was the leading source. The United States supplied \$35.3 million—an increase of \$10 million over the preceding year. U.S. exports to Hong Kong benefited from what was probably a temporary drop in sales by Red China, which was suffering from severe domestic shortages and transportation problems.

Because Hong Kong is a free port with few trade restrictions, all countries can compete for the market. Competition is keen and price is a strong factor. The countries of the Far East have distinct advantages because their shipping costs are lower than those of countries farther away. China has an added advantage in that 99 percent of Hong Kong's people are Chinese, and they are said to have a preference for Mainland products.

Hong Kong's trade affords China its largest source of foreign exchange to buy strategic equipment and supplies from the Free World. Therefore China tries aggressively to dominate the market. The Communists can seriously disadvantage an unwanted competitor by manipulating supplies and prices, and it is not likely that they will bypass these advantages. When the Communists step up exports to Hong Kong, shipments to the Colony from other countries suffer.

China's exports, however, appear to fluctuate in relation to the level of Mainland farm output and ability to deliver goods. Further, competition from the Communists is not equal for all commodities; it is strongest for perishable and bulky items. For example, U.S. frozen and chilled poultry competes with Chinese live birds, and U.S. citrus fruits are vulnerable to competition from Communist fruits. Tobacco, too, is meeting more com-



Representatives of a tobacco manufacturing company examine a shipment of U.S. burley tobacco.



Loaders and hand labor combine to stack cotton for Hong Kong's textile industry. The United States supplies about half of the Colony's raw cotton.

petition from Chinese-grown leaf. It also competes with tobacco from India and the Central African Federation. The United States, however, is Hong Kong's leading source of cigarettes, but the United Kingdom is a close second.

On the other hand, U.S. food products tend to supply a special market, and the United States manages to hold a small but steady share of the trade even when, as in 1958, the Chinese conduct a big export drive.

Raw cotton—the No. 1 U.S. export to Hong Kong—does not have any competition from Red China because China is a deficit cotton country. The United States supplies about half of Hong Kong's cotton needs, which have reached more than 300,000 bales a year since Hong Kong has become an important textile center. Brazil, Africa, India, and Pakistan contribute the remainder.

In 1959, for the first time in several years, Hong Kong achieved a favorable balance of trade with the United States. The United States bought \$96 million worth of commodities from the Colony, compared with \$52 million a year earlier, and replaced the United Kingdom as Hong Kong's leading market. Much of this spectacular rise was in the growing volume of textiles bought by the United States

and made in Hong Kong's booming textile mills.

Although Hong Kong's record of economic stability and achievement over the last decade has been described as remarkable, its future strength as a market for farm products is contingent on a number of variables. One of its major weaknesses is an increasing dependence on textile exports and other light manufactures. Already, textiles made in the Colony with relatively cheap labor have created problems for importing countries with higher production costs, and Hong Kong has been asked to adopt voluntary quotas on shipments.

There is the possibility, too, that

U.S. SALES TO HONG KONG				
Product	1951	1958	1959	
	Mil.	Mil.	Mil.	Mil.
	dol.	dol.	dol.	dol.
Cotton ¹		13.0	16.2	
Tobacco ²	2.8	1.8	2.9	
Ginseng	.02	1.7	1.9	
Oranges and tangerines ³	1.4	1.4	2.7	
Other fruit and preparations	1.4	1.0	1.2	
Poultry products	.02	.2	2.3	
Other farm items	2.1	3.8	5.5	
Food for relief and charity		2.4	2.6	
Total farm	7.7	25.3	35.3	
Nonfarm	20.8	45.8	58.7	
Total exports	28.5	71.1	94.0	

¹ Excluding linters.

² Unmanufactured.

³ Fresh.

Hong Kong may suffer further loss of entrepôt trade as Southeast Asian countries develop their own industries and begin trading directly with foreign governments. Also, because investors insist on fast returns and a quick recovery of investments, an imbalance of investment funds favors short-term investments over orderly long-term planning.

The problem of supplying fresh water and suitable building sites is causing mounting trouble. In addition, pressure on government funds to provide housing, jobs, social services, and health and education facilities for the large number of refugees is growing.

Overshadowing the whole future of Hong Kong's economy is the country's proximity to Communist China. Economic and political changes occurring in that country naturally have repercussions in the Colony, causing the people to adopt a "live for the present" attitude.

Despite these difficulties, Hong Kong will probably continue to grow as a market, and the United States should be able to hold its share in this growth. To gain a larger share of the total market, however, will require a great deal of effort and should be a real challenge to the ingenuity of U.S. exporters.

Mexican Trade Group Notes Progress in Japan, Indonesia

The members of a large Mexican trade mission have returned home after a 25-day trip to Japan and Indonesia. Mexico's Secretary of Industry and Commerce summed up the mission's accomplishments. First of these was a draft signed in Djakarta as a basis for a formal trade pact with Indonesia. Second, Mexican Consulates will be established in both Tokyo and Djakarta to stimulate trade. Also, a Mexican-Japanese Businessmen's Committee will be established, and joint Mexican-Japanese concerns will be formed to manufacture trucks, automobiles, electrical appliances, and other goods. In addition, Mexico will buy more goods from Japan and Indonesia to level its balance of trade with these countries. Finally, Mexico will sell more cotton to Japan.

Although the actual accomplishments of the mission will not crystallize for some months, it is clear that Mexico attaches a great deal of importance to its Japanese market and the large imbalance of trade between the two. The United States is Mexico's No. 1 market—taking over 60 percent of total shipments in 1959—and Japan is in second place with about 7 percent, but a large part of Mexico's cotton exports to the United States is re-exported to Japan.

Japan's Farm Imports

(Continued from page 7)

tions between Japan and Communist China, the United States will retain the lion's share of the Japanese soybean market, and the volume of imports is expected to increase further.

The prospects for U.S. *tallow* and *cattle hides* are encouraging. Japan has recently made both these items importable under the Automatic Approval system without discrimination against the dollar area. Tallow benefits from the rising consumption of soap; and hides benefit from the increased use of Western-type footwear. Increases in both items reflect Japan's rising levels of income. With competitive prices as in the past, the United States should look forward to expanded sales of both commodities.

Japanese Food Habits

(Continued from page 6)

All these influences have added up to some fairly drastic changes in Japanese food consumption patterns. Most of the changes are consistent with those that usually occur in countries where the standard of living is going up; and all together, they mean that the Japanese people are enjoying a diet that is more nutritious and varied than it has ever been.

The Future. Recently, a government-sponsored council studying the basic agricultural problems of the country made a forecast of what the Japanese would be eating in 1969 as compared with 1958. The forecast assumes three different rates of annual economic growth—4 percent, 5 percent, and 7.2 percent. Even at the lowest rate, almost every food would carry still further the consumption trend it was already showing in 1958 as compared with 1954-56; at the highest rate, these trends would be strikingly emphasized. For example, consumption of the cheaper starchy foods like barley and sweetpotatoes would go down sharply; that of the more expensive ones like rice and wheat, only slightly. There would be steep rises for the very foods that Westerners too tend to buy more of as their incomes rise: meat, eggs, fruit, seafood, fats and oils, sugar. Consumption of dairy products will triple and reach a level exceeded only by the two oldtime favorite foods—vegetables and rice.

Both the Ministry of Agriculture and the Ministry of Health and Welfare predict that Japan's swing toward Western-type foods will continue. The change is faster and more noticeable in the cities and urban areas than in the country—a matter of moment, for more than a third of the people of Japan live in cities with populations over 100,000. The Ministry of Agriculture, in planning for future food requirements, has taken the new trends into consideration. Basic agricultural policies are under review, and the government is discussing substantial changes in incentive programs. Thus, Japan's new food habits could eventually lead also to major shifts in the country's agriculture.

Corn Moves Abroad In Various Guises

Corn affects U.S. exports in a multitude of ways. Direct shipments of it as grain and of the foods or feeds manufactured from it fattened U.S. exports by about \$300 million last year. Indirect exports are less simple to measure; but U.S. shipments of animals and their products could hardly have reached \$568 million last year without the vast amounts of corn that U.S. livestock and poultry ate as grain and in mixed feed. Then there are the foods made with cornstarch, corn sirup, corn sugar, or cornmeal as ingredients; their exports totaled over \$150 million.

Yet corn may touch a wide variety of other U.S. exports too. Of more than 500 uses listed for it by the corn refining industry in 1954, some 300 were nonfood, and since then, research has added others. Every part of the corn plant has potential value for industry—even the stalk, leaves, and cob. But the kernel is the most useful. Dry-ground, it becomes cornmeal, flour, and grits; wet-ground, it becomes starch, sirup, and sugar; and when it is fermented and distilled, it ends up as ethyl and butyl alcohols, from which a host of industrial chemicals are derived.

Along the way come valuable minor products such as the steepwater the kernel is soaked in, corn oil, lactic and other acids, the protein zein, carbon dioxide, and fusel oil. Through products like all these, corn becomes a part of numerous manufactured articles that the United States sells in foreign markets.

Corn products are used by the textile industry, to strengthen cotton and rayon fibers and finish fabrics; the metals industry, in ore flotation and metal casting; the oil industry, in drilling. Corn keeps moisture in articles as different as tobacco and cold cream; carries ingredients in medicines; yields chemicals for use in manufacturing many products like plastics, paints, and dyes. As a filler and adhesive, it turns up in hundreds of items from doll heads to dynamite. And this versatile crop even helps to make the paper and ink on which its own export contracts are written.



Brazil To Trade Coffee For Wheat From Russia

The Brazilian Coffee Institute, the Brazilian Consultive Commission, and the Bank of Brazil, reportedly, have completed arrangements to exchange about 20,000 tons of Brazilian coffee for 150,000 tons of Russian wheat. This is the first such exchange between Brazil and Russia.

The wheat, valued at \$10 million, must be of guaranteed good quality. It will be delivered over a 3-month period ending in September.

Colombia Again Exports Cotton

Colombia's Cotton Development Institute recently announced export sales of 30,000 bales of cotton from the 1959-60 crop. These were the first commercial Colombian cotton exports in over 50 years. Shipments went mainly to Sweden, Switzerland, Germany, the United Kingdom, and Japan. Colombia expects to gain over \$3.2 million in foreign exchange from these exports.

New Zealand Company Promotes Meat Exports

New Zealand has set up a new agency—the New Zealand Export Development Company—to develop new markets for meat outside the United Kingdom. The new organization will be controlled by the Meat Producers' Board and the New Zealand-owned Freezing Works Association.

According to a Meat Board announcement, shipments of lamb and mutton to markets outside the United Kingdom have not been large enough to absorb rising production. The new agency will promote orderly trade with underdeveloped markets and all shippers should be able to take part.

New Zealand's meat exports to

"outside" markets in the first 7 months of the current season rose only 5 percent. Japan, Venezuela, West Germany, Canada, and Greece accounted for most of the gain. The United States, in this period, bought about the same quantity as in the comparable period a year earlier.

Japan's Meat Shortage Will Encourage Imports

Japan, reportedly suffering from a meat shortage and attendant high prices, is considering an emergency import allocation of 13 million pounds. The bulk of the allocation will probably be pork, although some beef may be included. Most of the imports are expected to come from Canada; the Canadian Government is holding large stocks which were accumulated during last year's price support program. But the allocation could also offer a welcome export opportunity to U.S. shippers.

Barbados Offers Expanding Opportunities for Trading

Barbados continues to import almost everything it uses except sugar, molasses, and rum. U.S. shipments to that market in 1959 totaled \$1.1 million and consisted principally of wheat flour, fresh and frozen poultry, other meats, and mixed poultry feeds. Furthermore, it is believed that U.S. exporters, alert to small market needs, can increase their sales to Barbados, particularly for such items as foods, drugs, and tobacco. Local hotels and merchants who cater to the U.S. tourists and residents need these items.

While the customs duty on imports from the United States is roughly twice that on imports from the British Commonwealth, licensing restrictions have been lifted on all items except those produced locally or covered by regional agreements.

More U.S. Cotton Moving to Portugal

Portugal recently authorized additional imports of about 15,000 bales (500 pounds gross) of cotton from the United States. In the first 9 months of the current season, Portugal bought only 2,000 bales of cotton from the United States. In most years Mozambique and Angola supply the bulk of Portugal's raw cotton needs, but supplies from these two countries are about exhausted and, since no new-crop cotton will reach Portuguese mills until fall, imports from nonprovincial sources may reach 50,000 bales.

Yugoslavia Again Exporting Wheat

Yugoslavia has exported some wheat during 1960 as a result of its excellent 1959 crop. This is an important development in the country's trade, for although the quantity is not particularly significant in the total export picture, it indicates the success Yugoslavia's agriculture has achieved in the past few years.

According to the Yugoslavs, the shipments represent the first step toward organized wheat exports. Since 1950, Yugoslavia—a prewar wheat exporter—had imported an annual average of about 770,000 tons of wheat. The United States was the chief supplier, sending most shipments under aid programs.

Bermuda Removes Dollar Import Restrictions

Bermuda recently removed its restrictions on imports from the dollar area. This action followed the liberalization of trade throughout the British Commonwealth last year. Bermuda was the last of the Western Hemisphere Commonwealth areas to end restrictions. Despite the country's preferential tariff in favor of the Commonwealth countries, the United States share—amounting to \$26.7 million in 1959—is about half of the Bermuda import market. About a fifth of the U.S. total is for farm items, mainly meat and meat products, fruits and vegetables and preparations, other foodstuffs, and animal feeds.

Finland Buying and Using More Cotton

Finland bought 32 percent more cotton from abroad in the first 9 months of the current season than in the corresponding period last year. The rise in both imports and consumption reflects generally improved economic conditions and high-level activity in the Finnish textile industry. A rise in consumer demand in recent months has cut down burdensome textile stocks: cotton consumption for the year is expected to exceed last year's total by nearly 30 percent.

The United States and Russia share the Finnish cotton market. The United States this season has accounted for about 40 percent of Finland's total cotton imports of about 74,000 bales (500 pounds gross), and Russia has supplied most of the rest.

Egyptian Onions Shipped to Cuba

Under a Cuban-UAR trade agreement, Cuba has received nearly 50 million pounds of onions from Egypt this season. The shipments arrived in Cuba in May and June and although the trade is receiving small quantities, the bulk of the stock will be stored for use later in the year.

In recent years, the United States has been by far Cuba's largest source of onions, shipping 61.4 million pounds to that destination in 1959. So far this year, the United States has exported only 1.6 million pounds to the Cuban market.

Colombia Lowers Deposit On Imports of Livestock

Recently Colombia reduced the prior deposit rate for imports of calves, young bulls and heifers, and breeding bulls and cows from 130 percent of the declared value of the animal to 20 percent. The lowered deposit rate combined with the reduction in ad valorem duties—previously announced—should result in stepped-up Colombian livestock imports.

Under Colombia's tariff structure, prior deposits must be made before import licenses can be issued, but these deposits are returned to import-

ers 90 days after the livestock arrives in Colombia. A move to have the waiting period for returns cut to 45 days has not yet been made law.

The ad valorem duty on pedigreed males now stands at 12 percent and will be lowered each month until December 1960 when all import duties will be ended. For females, the current ad valorem duty is 38 percent; it is also being reduced on a monthly basis until December, when it will be down to only 20 percent.

Peru Suspends Certificate Foreign Exchange System

The Government of Peru has issued a decree suspending the exchange certificate system, which has been in effect since 1948. In its place, Peru has established a unified exchange market with a fluctuating rate of exchange. The use of import licenses, which were used to enforce the certificate system, has also been suspended. This action will aid the movement of U.S. farm products to Peru.

According to the Central Bank, the decision to suspend the use of certificates was made at this time because of the favorable foreign exchange outlook.

Mexico and Greece Agree on Trading

Mexico and Greece recently signed their first trade agreement. Initially for a 1-year period, it will be renewable automatically unless terminated on 3 month's written notice.

The purpose of the agreement is to facilitate the development of commercial relations by reciprocally accorded most-favored-nation treatment in the matter of customs duties, customs warehouse storage, and general conduct of trade. However, this treatment will not include the advantages, concessions, or exemptions which each of the contracting parties have accorded or may accord to adjacent countries for frontier trade or countries which are parties to a customs union or free trade area, which is now set up or may be set up in the future.

No commodity lists have been set up, but Greece appears to be interested in Mexican frozen meat, sugar,

coffee, cacao, canned seafood, carnauba wax, zinc oxide, tin, and timber for making furniture. And in return, Mexico would like to buy Greek tobacco, cigarettes, olives, olive oil, currants and sultanas, almonds, wines and alcoholic beverages, canned fruits and vegetables, and other products.

Kenya's Swynnerton Plan Gets World Bank Lift

The World Bank has approved a \$5.6 million loan to the Government of Kenya to further the country's Swynnerton Plan which includes developing small farms that now contribute a sixth of the value of Kenya's total exports. These exports include tea, sisal, pyrethrum (Kenya is the world's major pyrethrum supplier—mostly to the United States), Arabica coffee, and livestock products.

The major objective of the Plan is to increase cash income and develop mixed farming and livestock throughout Kenya. It accomplishes this mainly by improving farm-to-market highways and increasing production efficiency of cash crops and livestock on potentially high-yielding small farms. The program includes voluntary consolidation of scattered holdings, farm credit systems, expansion of processing and marketing coöperatives, more extension services, and improved farm planning and water supplies. The World Bank loan—guaranteed by the United Kingdom—will provide the necessary foreign exchange to extend the Plan for 3 years.

Iran's Government Aids Dried Fruit Exporters

The Iranian Government has authorized Bank Melli Iran to issue credits at a 6 percent rate of interest to assist exporters of dried fruits. This is a much lower rate than is available commercially. The bank may lend up to 90 percent of the export value, the loan to be repaid when payments for exports are received.

This action resulted from increased pressure by raisin exporters for subsidization of dried fruit exports, since the government's rail freight rate subsidy lapsed at the end of the Iranian year, March 21, 1960.

UNITED STATES
GOVERNMENT PRINTING OFFICE

DIVISION OF PUBLIC DOCUMENTS
WASHINGTON 25, D. C.

OFFICIAL BUSINESS

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(GPO)

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HOW THE URBAN JAPANESE FAMILY SPENT ITS INCOME
BETWEEN 1953 AND 1958 (1955=100)

	1953	1954	1955	1956	1957	1958
Food:	98.8	97.0	100.0	103.2	105.8	111.9
Cereals	101.5	98.2	100.0	103.3	103.7	101.0
Other Foods:	97.2	96.2	100.0	103.2	106.9	118.2
Fish	101.6	98.9	100.0	94.3	93.2	100.6
Meat, milk and eggs ..	86.3	91.1	100.0	110.7	119.7	135.3
Vegetables	102.6	98.7	100.0	97.3	93.5	105.3
Processed foods	103.4	101.1	100.0	110.4	112.0	122.9
Cake and condis	98.0	93.5	100.0	95.3	107.2	114.0
Alcoholic beverages ..	95.7	101.1	100.0	108.6	114.2	128.4
Non-alcoholic beverages ..	95.1	92.2	100.0	126.1	139.0	162.6
Food consumed at restournts	80.6	83.5	100.0	119.8	134.9	168.0
Housing	96.3	95.8	100.0	112.4	119.3	144.2
Fuel and light	97.5	97.7	100.0	100.7	101.3	105.5
Clothing	100.8	95.0	100.0	109.6	116.4	121.2
Miscellaneous	90.0	95.4	100.0	105.5	113.1	118.4
Total family expenditure	96.1	95.9	100.0	105.2	109.8	116.9

Statistics Section, Research Bureau, Economic Planning Board.
(See article on page 5.)